



Grant County  
**PUBLIC UTILITY DISTRICT**  
*Innovation & Excellence...Yesterday, Today and Tomorrow*

May 25, 2011

Rogers Weed  
Washington State Department of Commerce  
1011 Plum Street SE  
PO Box 42525  
Olympia, WA 98504-2525

Re: RCW 19.285 Compliance Requirements

Dear Mr. Weed:

Public Utility District No. 1 of Chelan County (Chelan PUD) and Public Utility District No. 2 of Grant County (Grant PUD) are currently evaluating and implementing key provisions of the Energy Independence Act of 2006 (RCW 19.285 or "the Act"). We have made preliminary determinations in accordance with rules promulgated by the Department of Commerce<sup>1</sup> in 2008 and would appreciate your guidance and confirmation concerning the potential eligibility of certain resources under the law.

Chelan and Grant PUDs recognize that the final authority for determining whether consumer-owned utilities have complied with RCW 19.285 rests with the Washington State Auditor<sup>2</sup>. The first audit of our compliance with the law's Renewable Portfolio Standard (RPS) requirement does not occur until after 2012 and after we must be in compliance. We believe it is not in the best interests of our customer-owners to defer decisions regarding our ability to comply with the law until the audit. Compliance with RCW 19.285 requires a significant investment of human and financial resources prior to deadlines contained in the Act, and therefore requires us to take action now. If certainty regarding past and future actions is not provided, unwarranted costs may be imposed on our customer-owners due to the potential that improvements made or to be made are determined to be non-compliant after the fact. We believe that Commerce could assist in providing some level of certainty. Chelan PUD and Grant PUD have or will be investing hundreds of millions of dollars for improvements to its hydroelectric facilities. As we prepare to document our compliance, we need additional assurance about the eligibility of certain hydropower improvements.

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<sup>1</sup> The Department of Commerce was recognized as the Department of Community, Trade and Economic Development at the time of the rulemaking.

<sup>2</sup> RCW 19.285.060(1)(7). The Auditor is responsible for auditing compliance, and the attorney general is responsible for enforcement.

We believe you understand this issue well and have taken some steps to prepare for inquiries from utilities. The recently-updated State energy strategy<sup>3</sup> includes a potential “initiative” to offer some mechanism for pre-certification of eligible renewable resources to avoid the uncertainty inherent in the law. However, such mechanism does not exist and thus our only option is to turn directly to Commerce for the required certainty regarding the definitions and improvements made or to be made.

Under the Act, the Department of Commerce was required to adopt rules pertaining to the law. As authors of the rulemaking, we believe your department is uniquely positioned to offer informed advice as Chelan PUD and Grant PUD evaluate their ability to document compliance with the RPS.

### **Qualified Incremental Hydropower Efficiency Improvements**

Chelan and Grant PUDs’ questions center on the definitions of “incremental hydropower” and “qualified incremental hydropower efficiency improvements” under RCW 19.285.030(10)(b) and WAC 194-37-040(21), excerpted here:

#### **Statute:**

(10)(b) Incremental electricity produced as a result of efficiency improvements completed after March 30, 1999, to hydroelectric generation projects owned by qualifying utility ... where the additional generation in either case does not result in new water diversions or impoundments.

#### **Rule:**

(21) "Qualified incremental hydropower efficiency improvements" means the installation or modification of equipment and structures, or operating protocols that increase the amount of electricity generated from the same amount of water. These may include rewinding of existing generators, replacing turbines with more efficient units and changing control systems to optimize electricity generation, and improvements to hydraulic conveyance systems that decrease head loss. They do not include additions to capacity by increasing pondage or elevation head, or diverting additional water into the project.

Specifically, Chelan PUD and Grant PUD seek clarification and confirmation regarding hydropower improvements that constitute “qualified incremental hydropower efficiency improvements.” Examples of these improvements are provided in Appendices A (Chelan PUD) and B (Grant PUD). As described in the statute and regulations, “qualified incremental hydropower efficiency improvements” include the “installation or modification of equipment and structures” or “operating protocols” that increase the amount of electricity generated from the same amount of water. The WAC definition proceeds to illuminate that language by providing qualifying examples which “may” qualify. This list of examples is not exclusionary. Other types of hydropower efficiency improvements may qualify, should they increase the amount of energy

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<sup>3</sup> Energy Strategy Update and 2011 Biennial Energy Report with Indicators, December 2010. pgs. 13-14 .

generated from the same amount of water and otherwise meet the definition of incremental hydropower in the law itself. Appendices A and B to this letter list incremental hydropower improvements Chelan PUD and Grant PUD have installed or plans to install to meet compliance requirements. In order to provide certainty and to ensure that customer dollars spent effectively, we are requesting that Commerce confirm that the listed improvements qualify under the statute and regulations.

To accurately determine the amount of their incremental hydropower, Chelan and Grant PUD believes it is first necessary to normalize water flows. As you know, water flows past any hydropower project can vary considerably from year to year. Indeed, the Commerce rules reflect this challenge since they include a minimum 10-year average baseline against which incremental gains must be measured.<sup>4</sup> Chelan PUD and Grant PUD will normalize their flows per this methodology.

Normalizing the water flows means we cannot simply measure actual increased (or decreased) generation in any one year against the baseline to determine what amount of renewable resource we have produced. Instead, it requires us to model output, taking into consideration the full “basket” of incremental hydropower types contemplated by the Act and its rules, and optimizing the output to develop a generation figure. We believe this approach is technically sound and can provide clear documentation while bundling the full range of “equipment” and structural” “modifications” and “operating protocols” contained in the law.

We seek your guidance and input on our approach. We have begun working with other stakeholders and the Auditor’s Office about this approach as well. However, we continue to believe the unique technical expertise within your Department can assist us in reaching a resolution that provides additional certainty. Please do not hesitate to contact us with questions or requests for additional information.

Sincerely,



John Janney  
General Manager  
Chelan County PUD



Tim Culbertson  
General Manager  
Grant County PUD

Cc: Daniel Malarkey, Deputy Director, Department of Commerce  
Tony Usibelli, Assistant Director, Energy Policy Division, Department of Commerce  
Howard Schwartz, Energy Policy Analyst, Department of Commerce

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<sup>4</sup> WAC 194-37-040(3).

## Appendix A

### *1) Replacement and rehabilitation of turbines, generators and transformers*

In 2006, the PUD completed a major upgrade of the 11-unit Rocky Reach Hydroelectric Project powerhouse. The upgrade began in 1995. Since the qualifying date of March 31, 1999 under RCW 19.285, Chelan PUD replaced five turbines and ten generators, along with replacements and upgrades of two transformers that resulted in efficiency increases. Optimization software was also installed on all units to improve generator and turbine configuration and loading, resulting in an even greater efficiency increase. The modernization program has resulted in improved and increased efficiency of the hydro plant. The end result is more power generation. In addition, the new turbine runners are "fish friendly." Due to the fact that many of these incremental efficiency gains were achieved prior to passage of the Act, documentation of the incremental hydropower efficiency improvements will need to be based on best available data. Documentation will be provided in the form of engineering studies, bid documents, model test reports, performance test reports, current meter tests, and other documentation. It is clear that the Act recognizes projects undertaken for reasons other than compliance with the Act must be considered given the look back to March 31, 1999 for qualifying projects.

### *2) Structural improvement: juvenile fish bypass system*

A key component to protecting fish at the Rocky Reach Hydroelectric Project is the \$112-million juvenile fish bypass system, which was approved by FERC in 2002 and completed in time for the juvenile fish spring migration in 2003. Again, it is clear that the Act recognizes that projects undertaken for reasons other than compliance with the Act must be considered given the look back to March 31, 1999 for qualifying projects.

Spilling water was not a satisfactory method for moving juvenile fish past the dam, since the deep river channel fish follow enters the powerhouse side of the dam rather than the spillgate side. The juvenile fish bypass system was constructed in response to endangered species concerns and the upcoming FERC relicensing process (which was subsequently completed in 2009). The one-of-a-kind fish passage system was tailored to the shape of the river flow and uses the tendency of the downstream migrating fish to congregate in a corner of the forebay near the entrance to the first two generating units. A system of underwater pumps creates a 6,000 cfs "river-within-a-river" that attracts juvenile fish while having minimal impact on power generation. A large surface collector guides fish through a dewatering process that leaves only 260 cfs to accompany them on a 4,600- foot journey around the dam via an 8-foot diameter pipe. The fish are returned to the river downstream in fast currents to help avoid attacks from predatory fish and birds. The same body of water (the river) is used and there is no additional diversion or impoundment. The system allows available river flows to be used for power generation rather than released as spill (e.g. more energy with the same amount of water passing the project). It also has an excellent record of fish survival.

Chelan PUD recognizes that an important factor in documenting structural efficiency improvements such as the juvenile fish bypass system is the establishment of baseline conditions. Chelan PUD intends to document baseline conditions by evaluating "pre-improvement"

conditions. Without the juvenile fish bypass system, for example, Chelan PUD was facing a potential regulatory requirement to maximize the use of spill (up to 40% of the daily average flow for up to 99% of the juvenile migration season for each salmonid species). The structural improvements preempted the need for imposition of this requirement as a mandatory condition or prescription in the new federal operating license issued for the Project in 2009. Moreover, it enabled Chelan PUD to more effectively pass juvenile fish around the dam and ensure compliance with Washington State total dissolved gas standards. Chelan PUD intends to document, as qualifying incremental hydropower, the generation preserved by spilling less than the 40% recommended in NOAA Fisheries' final environmental impact statement for the Rocky Reach Hydroelectric Project.<sup>5</sup>

3) Structural improvement: track rack installation

Trashracks are attached to the upstream pier nose structure of generating unit intakes to prevent large debris from entering the water passage and damaging the turbine or generator housing. At the Rock Island Hydroelectric Project, Chelan PUD has replaced trash racks to reduce head loss. For example, an increase of 1 foot in head has resulted in an increase in generation of 6.2Mwh. Chelan PUD has also initiated operational changes (i.e. more frequent cleaning of trash racks) to increase generation. Chelan PUD intends to document these increases using average water data.

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<sup>5</sup> Anadromous Fish Agreements and Habitat Conservation Plans. Final environmental Impact Statement for the Wells, Rocky Reach, and Rock Island Hydroelectric Projects. Alternative 2, S.5.2.4, Rocky Reach Hydroelectric Project, p. S-19. Volume I FEIS, December 2002.

## Appendix B

### 1) Replacement and rehabilitation of turbines, generators and transformers

In 2004, the Grant PUD began a major upgrade of the 10-unit Wanapum Hydroelectric Development powerhouse. At Wanapum, each of the 10 turbines will be replaced with new, advanced design turbines and all 10 generators will be replaced with higher capacity, more efficient generators to utilize the increased output of the new turbines. Since the qualifying date of March 31, 1999 under RCW 19.285, Grant PUD's entire replacement program of 10 turbines and 10 generators, along with replacements and upgrades of hydro facility stepup transformers, result in efficiency increases. The modernization program has resulted in improved and increased efficiency of the hydro plant resulting in more electricity generation. In addition, the new turbine runners allow Grant PUD to use its new turbines to help satisfy fish passage requirements. Documentation of the incremental hydropower efficiency improvements will need to be based on before and after improvements and engineering modeling results. Documentation will be provided in the form of engineering studies, model test reports, performance test reports, and other documentation. Following the completion of the upgrade work at Wanapum it is expected that a turbine and generator replacement project will be undertaken at the Priest Rapids Hydroelectric Development.

### 2) Structural improvement: juvenile fish bypass system

A key component of enhancing fish passage at the Wanapum Development is the fish bypass system. Construction began in the summer of 2005 and was completed in April 2008 for the juvenile fish spring migration. Prior to the completion of the fish bypass, Grant PUD was spilling up to 43% of river flow in the spring and 49% (these are maximum values, actual spill was lower because of TDG limitations) in the summer for fish passage which was not an efficient means for moving juvenile fish past the dam while generating electricity with a given amount of water. The juvenile fish bypass system was constructed as a more efficient means for moving juvenile fish past the dam and to allow more flow to go through the turbines to generate electricity. The same body of water (the river) is used and there is no additional diversion or impoundment. The system allows available river flows to be used for power generation rather than released as spill (e.g. more energy with the same amount of water passing the project). It also has an excellent record of fish survival. Grant PUD is currently installing a similar juvenile fish bypass at the Priest Rapids Hydroelectric Development.

Grant PUD recognizes the importance of documenting how structural efficiency improvements, such as the juvenile fish bypass system, increase the amount of electricity generated with the same amount of water. Therefore, Grant PUD has established baseline conditions by documenting "pre-improvement" conditions. Without the juvenile fish bypass system, for example, Grant PUD was facing a requirement to spill in the spring time up to 43% of the daily average flow or the total dissolved gas (TDG) limits, whichever is less. This structural improvement reduced the need for this spill requirement and it enabled Grant PUD to more effectively pass juvenile fish around the dam under compliance with Washington State total dissolved gas standards. Grant PUD will document the generation increase as a result of generating electricity with water that previously was required spill.